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HOW DOES THE UNSAID SHAPE DECISION-MAKING IN THE BOARDROOM?

Recent corporate governance scandals have drawn significant attention to what happens in the boardroom, raising many questions with regards to why boards of directors, those responsible for monitoring firms, were unable to prevent the scandals. Why do boards fail so often? How come boards of directors that are responsible for monitoring and safeguarding their firms were unable to prevent such scandals? While boards of directors are of institutional importance, scholars have a limited understanding of boardroom processes[1]. How do directors (or non-executives) and executives make strategic decisions together and, in particular, how do directors monitor the organisation and its executives?

To uncover the black box of board decision-making requires direct observation of what goes on in the boardroom, which produces many methodological challenges. A first methodological challenge concerns the gathering of data about the decision-making process from these boards. Boards are considered closed systems, as board decision-making involves the exchange of highly sensitive information. A second methodological barrier relates to the analysis of sensemaking and decision-making processes. How do we measure and offer validated theories about the

ways in which individual board members make sense and influence each other's sensemaking before coming to decisions? Studying dynamic (sensemaking) processes that unfold between people is not easy. How does the researcher's involvement shape the data? This is one of the key questions that need to be answered when researching processes qualitatively.

APPROACH

In our recent study on how the unsaid shapes decision-making in the boardroom, we explore this black box. However, the purpose of this study was not to merely justify a theory but to develop additional theories that explain what happens in the boardroom[2]. Moreover, in this study, we did not put the 'said' front and centre but, instead, the 'unsaid', focusing on what is thought and felt but not expressed[3].

During this study, I observed the board meetings of 17 boards and interviewed 119 board members about what happened during those meetings. More specifically, I explored how board members responded 'in action' and and how they consciously or 'pre'-consciously chose to silence their thoughts and feelings. Preconscious thoughts and feelings are taken for granted at a particular instance but easily become conscious upon reflection[4]. Therefore, preconscious thoughts and feelings can be observed retrospectively. All board

members (executives and directors or non-executives) who were present during a meeting were asked after the meeting to reflect on four questions: 1) what were you thinking and feeling, but not saying, and when, 2) what kept you from saying it, 3) what do you think others were thinking and when, and 4) what do you think kept them from saying it? During interviews of roughly 1 hour in length that took place within two weeks from the meeting, board members reflected upon these questions. Putting the unsaid, instead of the said, front and centre meant exploring the difference between what is said and what is thought, and, therein, how blind spots, incongruities, and perceived incongruities shape board decision-making. Moreover, I also positioned myself as an interpreting, knowing actor rather than an objective observer[5], reflecting upon and making notes of what I thought was not said during the interviews[6].

[1] Bainbridge, 2002; Forbes & Milliken, 1999; Gabrielsson & Huse, 2005; Garg & Eisenhardt, 2017; Veltrop, Hermes, Postma, & de Haan, 2015; Westphal, 1999; Westphal & Bednar, 2005; Westphal & Zajac, 2013

[2] Locke, Golden-Biddle, & Feldman, 2008

[3] Engbers M., Khapova S., Loo vd E., 2020a.

[4] Javel,w 1999

[5] Cunliffe, 2011

[6] Argyris & Schön, 1974; Argyris, Putnam & McLain Smith, 1985; Putnam, 1991; Senge, 1997

Marilieke Engbers (1969) combines her lectures on strategy realisation for the VU Finance and Control Program with consulting work for Reconsulting on board effectiveness, self-evaluations, strategy and leadership. During her PhD, Marilieke was assigned by the Housing Associations Authority to research how boards monitor the risks of long-tenured CEOs. She published the report 'Kracht en Tegenkracht' in 2019.

Iterating between a) what individual board members shared in the interview, b) a comparison of those reflections with the tape-recordings of the meetings, c) a comparison of accounts per role and board, and d) academic theories that explained the data, new theories emerged. Moreover, by presenting these preliminary theories, I also explored to what extent these theories resonated with the boards that participated in this research and with the 120 individual board members who were present.

THEORETICAL IMPLICATIONS

First, this study offers an emergent theory explaining how preconscious, taken-for-granted, and automatic socio-cognitive processes and communicative events between board members and their stakeholders shape boards' decision-making[7]. Since the theory conceptualises how micro-processes between board members shape macro-processes, an institutional perspective is warranted. Second, this study theorises that board members who consider their governance to be paradigm-objective and who are considered paradigm-attached, cause a ripple of unspoken communication, or a 'spiral of the unsaid' when they try to manage silent conflicts through informal decision-making[8]. The data reveals that the three different roles of CEO, chair and non-executive risk eliciting seven types of paradigm-attachment conflicts. When a heated situation is enacted due to the spiral of unsaid, it is managed through scapegoating and ostracising the board members through the least-dominant minority paradigm. Third, this study conceptualises how four silence climates shape four different levels of cohesiveness and cognitive conflict towards board effectivenes[9]. A board silence climate is characterised by how a board maintains a dynamic equilibrium between cohesiveness and cognitive conflict through different silence strategies. The data suggests that since a cognitive conflict always risks eliciting a relationship conflict, boards constantly adjust through voice and silence when encountering conflicts. Four different board climates are distinguished, each with different silence strategies that shape four different levels of board effectiveness and show how silence strategies shift in response to tension reconciliation. Fourth, through reflecting on this research approach, the study suggests that being aware of different levels of consciousness is required for the research of assumptions

Director 2   Director 3

Director 1   Director 4

Secretary / CFO   Researcher

CEO   Chair
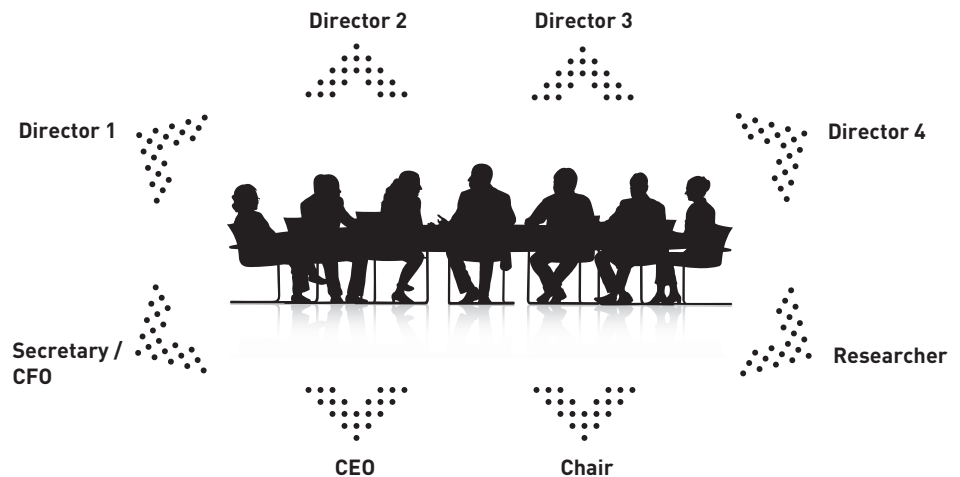
that are taken for granted (Engbers, 2020). Moreover, it also highlighted that perspective-taking is key when conducting such intersubjective research.

PRACTICAL IMPLICATIONS

This study offers three practical implications for board members, inspectors, board consultants and other stakeholders that work with or for boards. First, this study explores the ambiguity of how to manage and decide when and about what requires conscious deliberation rather than an automated response. Unspoken and presupposed, but differing, assumptions about governance can negatively impact decision-making in the boardroom. This suggests that these differences and the effects of these assumptions on decision-making warrant exploration and reflection. Second, informal conversations within a sub-group should be limited, as they influence decision-making and cannot be monitored. Thus, although committees are often perceived as efficient governing bodies and decisions made in these sub-groups are not considered informal, what takes place in these meetings and how these conversations unfold (the tone of voice) should be consciously and deliberately monitored. Third, role-expectations should be reflected upon consciously to limit false attribution bias and silent speculation emerging between board members. In particular the differing expectations of chairs, CEOs and new directors should be avoided.

[7] Engbers, Khapova, vd Loo, 2020a
[8] Engbers, Khapova, 2020a
[9] Engbers, Khapova, 2020b

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